

GOVERNMENT OF ANDHRA PRADESH
A B S T R A C T

Municipal Administration and Urban Development Department – 13th Finance Commission – Strategy for Sustaining National Compliance, Accrual Based Accounting System introduced in (123) Urban Local Bodies under 13th Finance Commission – Strategy documents approved – Orders – Issued.

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT (UBS) DEPARTMENT

G.O.Rt.No. 1083

Dated: 13.08.2012.

Read:

1. From Commissioner and Director of municipal Administration, Hyderabad,. No.109/XIII FC/ DEABAS/C&DMA/2012, dated 20.06.2012.

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ORDER:

In the circumstances stated by Commissioner and Director of Municipal Administration, Hyderabad in his letter read above, Government hereby approve the Strategy document submitted by Municipal Accounts and Audit Coordination Committee (MAACC), as annexed to this order.

2. The Commissioner and Director of Municipal Administration, Hyderabad shall take necessary action in the matter.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

RAJIV RANJAN MISHRA
PRINCIPAL SECRETARY TO GOVERNMENT

To

The Commissioner and Director of Municipal Administration, Hyderabad.

Copy to:

The O.S.D. to Hon'ble M(MA).

The Project Director, APMDP, O/o C&DMA, Hyderabad.

The Finance (FC.I) Department.

The Accountant General, Andhra Pradesh, Hyderabad.

The P.S. to Principal Secretary to Government (MA), MA & UD Department.

Sf/sc

//FORWARDED BY ORDER//

SECTION OFFICER

Strategy Document for sustaining the NMAM Compliant, Accrual Based Accounting System introduced in the 123 Urban Local Bodies of the State under 13th Finance Commission – Stipulated Condition no 1.b – and for introducing the new Accounting System in the newly constituted 46 ULBs – under the Andhra Pradesh Municipal Accounts and Audit Reforms Project (APMARP) Phase II of 13th FC

Introduction: Implementation of an Accrual Based Accounting System, which is NMAM Compliance, is one of the Nine Conditions (Condition No 1.b) stipulated by the 13th Finance Commission. The State Government and its Local Bodies are to fulfil these conditions during every financial year starting from F.Y.2010-11 to F.Y.2014-15, if they are to be eligible for receiving Performance Grant under 13th FC which is nearly - a substantial - 34.5 percent of the total grant allocated to the ULBs of State. Implementing the accounting system as provided in the National Municipal Accounts Manual (NMAM) is also one of the recommendations of the Second Administrative Reforms Commission as well as a mandatory condition to be fulfilled by the Project ULBs under JnNURM.

1.1 The State of AP has adopted for its Local Bodies an Accrual based Accounting system in the year 2002 (GO.MS.No 233 MA, MA&UD Dated:22-05-2002) and also issued the State Municipal Accounting Manuals , adopted from NMAM, for implementation by ULBs, in the year 2007. (GO.MS.No.619, MA, Dated:21-08-2007).

1.2 Under 13th Finance Commission – Stipulated Condition no 1.b. , the State Government launched the Andhra Pradesh Municipal Accounts and Audit Reforms Project (APMARP- GO.Rt.No 287, MA&UD (R) Department, Dated 21-02-2011) for migrating the accounts of all the ULBs (numbering 123 at that time except GHMC) for F.Y.2009-10 and F.Y. 2010-11 into the new system, with the help of Regional Chartered Accountant Firms and Municipal eGovernance Accrual Accounting Software (CGG Developed Accrual Software).

1.3 Further as the first of its kind in the country:

a. An Interdepartmental Committee (MAACC – Municipal Accounts and Audit Reforms Coordination Committee) under the chairmanship of the Commissioner & Director of Municipal Administration and a Municipal Accounts Reform Cell (MAARC) have been constituted by the State to monitor and institutionalize the Accounting and Auditing Reforms taken up under 13th FC. (GO.MS.No 270, MA&UD (R) Department, Dated:15-07-2011).

b. Vide Go.MS.No 211 of MA&UD, Dated 19-05-2012 a Senior Officer from the O/o Accountant General (LBAA) Hyderabad, was also included in the above MAACC Committee.

c. A full scale audit of the accounts of F.Y.2009-10 and F.Y.2010-11, prepared in the new system has also been taken up by the State Audit Department, with the Director State Audit as one of the key members of the MAACC Committee.

1. 4. Under these circumstances, the MAACC Committee after due deliberations on prepared progress of Municipal Accounts and Audit Reforms, initiated under 13th FC has proposed for sustaining the Accounting Reform introduced in 123 Project ULBs beyond 2010-11, as well as for introducing the reform in the newly constituted ULBs., with the Director of State Audit, and Senior Officers from Finance Department and Accountant General (Local Bodies Accounts Auditing), Hyderabad.

2. Objectives and Implementation Model for the APMARP Project Phase II

2.1 Objectives

Short Term Goals	Long Term Goals
<i>Introduce the Accounting Reform in the newly constituted 46 Urban Local Bodies.</i>	<i>Sustain the Accounting and Audit Reform introduced in the 123 ULBs of the State during phase I of the Project.</i>
<i>Successfully comply with the stipulated conditions of the 13th CFC and by which the State Government and its ULBs get eligibility to draw their share of Performance Grant under 13th CFC which is to a tune of Rs.664.25 Crs during the 13th CFC Period.</i>	<i>Improve the effectiveness of Public Expenditure through the Accounting and Audit Reform.</i>
	<i>To assist in better monitoring of Public Expenditure thereby improving accountability and transparency.</i>
	<i>Enable a 'feedback' route in improving policy formulation and implementation</i>
	<i>ULBs will own up this reform and through this reform a transformation of the System – Human Resources, Capacities, Responsiveness, takes place and Innovative Service Centric Practices are born out of the reform.</i>

2.2 Implementation Model

- 2.2.1. The 169 ULBs will be divided in to 11 blocks based on the Jurisdictions of the 6 Regional Directors and Appellate Commissioners of Municipal Administration in the State.
- 2.2.2. A total of 11 RCA Firms will be selected as Project Implementation Mentors (PIM)
- 2.2.3. Each selected RCA Firm (PIM) will have to set up a **Regional Level Municipal Accrual based Accounting(s) (MAbA) Implementation Cell** for the ULB Blocks allotted in the offices of the Regional Directors and of Municipal Administration.
- 2.2.4. Thus 11 MAbA Implementation Cells will be set up in the State, for the 169 ULBs (Except GHMC).
- 2.2.5. Initially, The Project Duration is for a period of 11 months starting from July-2012 to May-2013 and the CGG developed and Deployed Accrual Based Accounting Software (Municipal eGovernance Accrual Accounting Software) plays a central role. During the period, the Accounts for F.Y.2011-12 and F.Y.2012-13 will be prepared in the new system. Building on the phase I of APMARP, the preparation of Accounts including updating of assets inventory, computerization of assets inventory, financial statements and MIS Reports etc will be primarily executed by the ULB, with supervision, guidance of the Regional MAbA Implementation Cell.
- 2.2.6. This is to enable gradual phasing away of the handholding, owning up of the reform by the ULB, and also build on the benefits of the phase-I of APMARP.
- 2.2.7. Primarily, the MAbA Implementation Cell function as a Project Mentoring Unit (PMU). In case any ULB falls behind in computerization of Accounting Data on its own using CGG Software, the MAbA Implementation Cell changes its mode into a full scale project implementation unit for clearing the back log work in the Municipal eGovernance Accrual Accounting Software. (CGG Developed Software).
- 2.2.8. In case of exceptional performance by a ULB, in being able to execute the accounting work on its own, under the supervision and guidance of the MAbA Implementation Cell, the MAACC Committee may recommend for suitable incentives to the ULB, under 13th FC DEABAS Grants, from the money saved for strengthening of office systems of ULB.

3. Project Requirements and Implementation Strategy for meeting the Requirements:

3.1 Technical Requirements :

a. Accrual Based Accounting Software : The Accrual Based Accounting Software Developed by M/s. Centre for Good Governance will be deployed for the phase II of the APMARP Project. Periodic Review of the Software, measures to sale up the

functionality such as linkages to other e- governance modules, electronic transfer of grants etc., shall be reviewed by the MAACC Committee.

b. Training To Municipal Functionaries : This shall be made one of the Prime Responsibilities of the proposed MAbA Implementation Cell , during the Project (APMARP Phase II) Period (Involve M/s.CGG)

c. Training to Audit Functionaries: Training to Audit Functionaries will be proposed and taken up by the MAACC Committee, with the help of Resource Institutions set up by the State such as Dr.MCR HRD, Centre for Good Governance.

3.2 Resource Requirements

a. Set up the Regional Level Municipal Accrual based Accounting(s) (MAbA) Implementation Cell: The C&DMA shall invite proposals from qualified Chartered Accountant Firms in the Country for setting up the MAbA Implementation Cells (a total of 11 Cells is proposed).

b. Auditing of Accounts : While the audit of Local Bodies is done by the State Audit Department, the preliminary screening of the Accounting deliverables will be done by the MAARC Cell, O/o C&DMA, for which the services are provided by the Director State Audit, (whether submitted by the ULB or the MAbA Implementation Cell concerned) and the results of the screening shall facilitate the project releases as well as rectification of gaps as well as full scale audit by the State Audit Department through the local units.

3.3 Standards and Legal Framework

a. The MAACC Committee will now finalise and propose the new Municipal Accounting Rules in the light of Act No 11 of 2011, which has amended the Municipal Law in the State for bringing in the legislative framework for implementing Accrual Based Accounting System in the ULBs of the State.

3.4 Funding the Implementation of the Project (APMARP Phase II): Implementation of Double Entry Accrual Based Accounting System (DEABAS) has been made on the admissible components for utilization of 13th FC Grants, by ULBs, for improvement of Urban Services. The DEABAS Grant Allocations approved and released to the ULBs for the F.Y.2010-11 have already been earmarked for the APMARP Project Phase-I. The 13th FC Grants now allocated and released for the F.Y.s 2011-12 and F.Y. 12-13 for the DEABAS Component, to the ULBs shall now be utilized for closure of APMARP Project Phase-I as well as for taking up and completing the Phase-II of the project as envisioned in this Document. The MAACC Committee will examine and submit any proposals for additional allotments or substitute funding sources such as JnNURM, to the Government for issue of necessary orders.

RAJIV RANJAN MISHRA
PRINCIPAL SECRETARY TO GOVERNMENT